

## Budget Change Proposal - Cover Sheet

DF-46 (REV 02/15)

Fiscal Year 2016-17	Business Unit 3970	Department Resources Recycling and Recovery (CalRecycle)	Priority No. 6
Budget Request Name 3970-006-BCP-DP-2016-GB		Program <b>3700 WASTE REDUCTION AND MANAGEMENT</b>	Subprogram

## Budget Request Description

Cap and Trade Expenditure Plan - Greenhouse Gas Reduction Fund Augmentation for CalRecycle's Grant and Loan Programs

## Budget Request Summary

The Department of Resources Recycling and Recovery (CalRecycle) requests: 1) a total of \$100 million from the Greenhouse Gas Reduction Fund (GGRF) in 2016-17 for implementation of Greenhouse Gas Reduction (GGR) Programs; 2) conversion of nine (9) limited-term positions to permanent; and 3) seventeen (17) additional positions to assist with increased workload, including a food waste component and demonstration projects to further the purposes of the Global Warming Solutions Act of 2006, and the state's waste diversion and recycling efforts. This proposal also includes proposed statutory changes to Public Resources Code section 42999 and 42997 relating to project eligibility.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed Public Resources Code 42999 and 42997	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? ☒ Yes ☐ No  
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Howard Levenson	Date	Reviewed By Olga Garti	Date 1/5/15
Department Director Scott Smithline	Date 1/6/16	Agency Secretary Matthew Rodriguez	Date 1/6/16

## Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ CALSTARS ☐ Dept. of Technology

BCP Type: ☐ Policy ☐ Workload Budget per Government Code 13308.05

PPBA	Original Signed By: Ellen Moratti	Date submitted to the Legislature JAN 07 2016
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## A. Budget Request Summary

In an effort to reduce methane emissions from landfills and further greenhouse gas reductions in upstream management and manufacturing processes for organic and other recyclable materials, the Department of Resources Recycling and Recovery (CalRecycle) proposes to expand its existing Greenhouse Gas Reduction (GGR) Programs. These programs support the expansion of existing and establishment of new organic materials management facilities and recyclable commodities manufacturing facilities, as well as food waste prevention programs. CalRecycle specifically requests:

- 1) \$100 million from the Greenhouse Gas Reduction Fund (GGRF) in 2016-17 to support GGR programs promoting greenhouse gas reductions in the waste management sector;
- 2) Conversion of nine (9) existing limited-term positions to permanent for administering the existing GGRF funds. These positions include five (5) Associate Governmental Program Analysts (AGPAs), three (3) Loan Officers, and one (1) Senior Loan Officer (Supervisor) which were authorized by the 2014 Budget Act; and
- 3) Seventeen (17) additional positions to be funded as part of the increased funding requested in 1) above and ongoing authority to assist with the increased workload associated with the additional funding. This increased workload will entail providing grant and loan oversight and assistance to grant and loan recipients; development and implementation of a new food waste prevention grant program; increased number of organics grants; new demonstration projects; and working with funding recipients in the collection of project tracking data and report program/project outcomes as required by statute, including greenhouse gas reductions, benefits to disadvantaged communities, and other co-benefits as required by the Legislature. These positions include one (1) Staff Services Manager II, one (1) Staff Services Manager I, seven (7) AGPAs, one (1) Senior Environmental Scientist, three (3) Environmental Scientists, two (2) Accounting Officer (Spec), one (1) Associate Budget Analyst, half (0.5) Personnel Specialist, and half (0.5) Associate Industrial Hygienist.

CalRecycle is also requesting budget trailer bill language to make changes to Public Resources Code section 42999 and 42997 regarding project eligibility.

If approved, the department's budget would include total GGRF funding of approximately \$86 million for grants (\$61 million for organics including \$3 million for rural projects; \$15 million for fiber, plastic, and glass grants; and \$10 million for food waste prevention grants), \$6 million for demonstration projects, \$5 million for loans, and \$3.0 million for program administration and delivery.

CalRecycle Greenhouse Gas Reduction	
	Total Proposed
Grants	\$86,000
Demonstration projects	\$6,000
Loans (ongoing authority)	\$5,000
Administration	\$3,000
Totals	\$100,000



### **B. Background/History**

Implementation of the California Global Warming Solutions Act of 2006 (AB 32) includes measures that achieve real, quantifiable, cost-effective reductions of GHG emissions and return California to 1990 emission levels by 2020. Since 2006, the State has continued to steadily implement a set of actions that are driving down GHG emissions, cleaning the air, diversifying the energy and fuels that power our society, spurring innovation in a range of advanced technologies and improving natural resource health statewide.

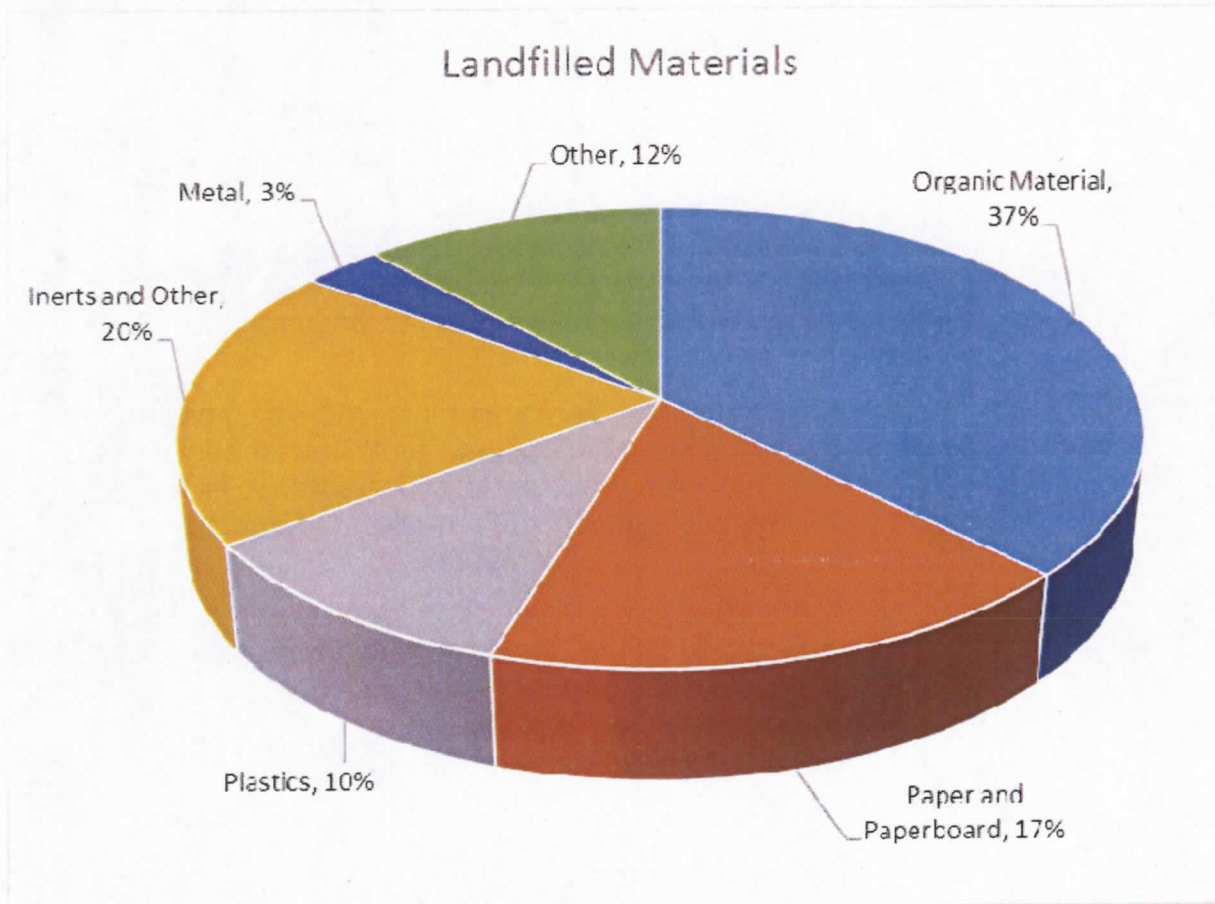
These efforts have put California on course to achieve the 2020 emissions limit, and have created a framework for ongoing climate action that can be built upon to maintain and continue reductions beyond 2020. In addition to the near-term GHG emission reduction goals established in AB 32, mid-term and longer-term GHG emission reduction targets have been established in Executive Orders B-30-15 and S-3-05 to reduce greenhouse gas emissions by 40 percent below 1990 levels by 2030 and 80 percent below 1990 levels by 2050, respectively.

The Greenhouse Gas Reduction Fund (GGRF-funded by the Cap-and-Trade Program generated Auction Proceeds, authorized by AB 32) has been established for the purpose of funding measures that allow California to achieve its GHG reduction goals, furthering the purposes of AB 32. In addition, SB 535 (de León, Chapter 830, Statutes of 2012) requires that twenty-five percent of GGRF funds be spent to benefit designated disadvantaged communities, and ten percent must be spent within disadvantaged communities.

This budget proposal aligns with the priorities identified in the 2016 investment plan by supporting and enhancing Natural Resources and Waste Diversion projects, such as removing organic materials from landfills in order to reduce methane emissions:

California has a long, successful history in promoting recycling and composting in response to the Integrated Waste Management Act of 1989 (AB 939, enacted in 1989), which requires local jurisdictions to divert 50 percent of their waste from landfills. The state now has an estimated waste diversion rate of 65 percent, consisting, in part, of solid waste that is sent to transformation facilities or that is used for alternative daily cover or other purposes at landfills. Without these and with an adjusted annual generation, the statewide recycling rate is around 50 percent. Still, annually, about 31 million tons of waste reach landfills, one of the most significant anthropogenic sources of methane emissions. As indicated in the figure below, waste reaching landfills consists of 37 percent organic material (grass, yard waste, food waste, and other materials), 17 percent paper and paperboard, 10 percent plastics, 20 percent inert and other construction and demolition-type materials (including dimensional lumber, which also can be considered an organic material), 3 percent metal, with the remainder consisting of various materials such as glass and "special" waste (based on the department's 2014 Disposal-Facility-Based Characterization of Solid Waste in California study <http://www.calrecycle.ca.gov/Publications/>).





The above pie chart was constructed using sector percentage data obtained from the 2014 vehicle surveys applied to 2014 composition results. Percentages may not add up to 100% due to rounding.

AB 341 (enacted in 2011) established a new statewide goal of reducing, recycling, or composting 75 percent of the state's waste by 2020, which would dramatically reduce methane emissions from landfills. CalRecycle estimates that currently about 35 to 40 million tons of solid waste are recycled, composted, or sent overseas to manufacturing facilities each year. A 75 percent recycling rate means that 60 million tons, comprising an increase in 20 to 25 million tons, will need to be reduced, recycled, and/or composted in 2020. Achieving this diversion rate, associated GHG emission reductions, and increased job creation within California will require significant investments in infrastructure for treating these materials.

### **Benefits of CalRecycle's California Climate Investments Programs**

Utilizing Greenhouse Gas Reduction Funds to provide loans and grants for diverting organic and recyclable commodities has numerous benefits linked directly to AB 32's goals, as well as to AB 341's 75 percent recycling goal.

Methane emissions from California landfills account for almost 7 million metric tons of carbon dioxide per year in the ARB GHG emission inventory. When organics are kept out of landfills and instead are used in compost and mulch products, these methane emissions are avoided and the resultant compost and mulch is used to improve soil health and save water. Organics infrastructure such as in-vessel digestion also can yield bioenergy and biofuel products, and food waste prevention programs can result in rescuing edible food. The diversion of food and green waste from landfills to produce



## Analysis of Problem

bioenergy or compost would result in a minimum of 4 million metric tons of greenhouse gas emission reductions, equivalent to emissions from about 750,000 passenger cars. Emission reduction factors associated with food rescue are 5 times higher than other organics management methods, with every ton of food waste prevented resulting in 2 tons GHG emission reductions. In addition, every recyclable commodity (such as plastic, paper, and glass) removed from landfills and used in manufacturing processes reduces the fossil fuel energy used in extracting and processing virgin materials in manufacturing. Capturing the energy already embedded in these commodities can avoid tons of greenhouse gas emissions. Reaching the 75 percent goal in California would likely reduce greenhouse gases by 20 to 30 million metric tons per year, and result in many new jobs, potentially serving California's disadvantaged communities.

## Existing Resources

The 2014 Budget Act, and corresponding trailer bill, appropriated \$25 million from the GGRF to CalRecycle for organics infrastructure grants and loans, as well as for program staff. In November 2014, CalRecycle awarded \$14.5 million in organics grants and \$5 million in fiber, plastic, and glass grants as shown in Table 1. In April 2015, CalRecycle awarded \$1.74 million in greenhouse gas reduction loans as shown in Table 1. The remaining loan funds from 2014-15 have not yet been encumbered.

Grant/Loan Program	Applicant Name	Project Type	Total Award Recommended
Organics Grant Program (ORG1)	CR&R Incorporated	Anaerobic Digestion	\$3,000,000
Organics Grant Program (ORG1)	Colony Energy Partners, LLC	Anaerobic Digestion/Food Rescue	\$2,925,920
Organics Grant Program (ORG1)	Mid Valley Disposal, Inc.	Aerated Static Pile Composting	\$3,000,000
Organics Grant Program (ORG1)	Recology East Bay Organics	Anaerobic Digestion	\$3,000,000
Organics Grant Program (ORG1)	Burrtec Waste Industries, Inc. (partially funded)	Aerated Static Pile Composting/Food Rescue	\$2,595,080
Recycled Fiber, Plastic, and Glass Grant Program (FPG1)	Command Packaging	Plastic	\$3,000,000
Recycled Fiber, Plastic, and Glass Grant Program (FPG1)	Peninsula Plastics Recycling, Inc.	Plastic/Fiber	\$1,000,000
Recycled Fiber, Plastic, and Glass Grant Program (FPG1)	Reliance Carpet Cushion (partially funded)	Fiber	\$1,000,000
Greenhouse Gas Reduction Loan Program	Nursery Products, LLC	Compost	\$850,000
Greenhouse Gas Reduction Loan Program	Harvest Power California, LLC	Compost	\$890,000

The 2014 Budget also authorized CalRecycle to establish limited-term positions to develop and implement the GGR grants and loans program in 2014-15. This program is by far the most complex of all of CalRecycle's many grant and loan programs. It entails significant ongoing efforts regarding development of grant eligibility and scoring criteria, application documents and grant cycle solicitations; technical evaluation of applications; consulting with ARB on verifying and approving methods and calculations relating to GHG emissions and impacts/benefits to disadvantaged communities; scoring and award of grants; and subsequent work with each grantee to support successful project implementation, tracking and reporting of greenhouse gas emission reductions and tons diverted, and collection of appropriate information on funded programs and projects to inform the Legislature.



## Analysis of Problem

During the 2015 May Revision process, the Governor proposed allocating a total of \$60 million to support CalRecycle GGRF grants, loans, and program administration, but the Cap and Trade funding proposal was not included in the 2015 Budget Act. CalRecycle received a \$5 million GGRF transfer in the current year for the revolving loan program pursuant to Public Resources Code Section 42995.

### Resource History (Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY - 1	PY	CY
Authorized Expenditures (Total)					\$ 25,000	\$ 5,646
3228 (State Operations - Grants)					\$ 479	\$ 625
3228 (Local Assistance - Grants)					\$ 19,521	
9747 (State Operations - Loans)					\$ 338	\$ 464
9747 (Local Assistance - Loans)					\$ 4,662	\$ 4,557
Actual Expenditures						
Revenues						
Authorized Positions					7.0 (LT)	9.0 (LT)

### Workload History

Workload Measure	PY - 4	PY - 3	PY - 2	PY - 1	PY	CY
Number of GGRF Applications Received	NA	NA	NA	NA	71	NA
Number of GGRF Grants Processed	NA	NA	NA	NA	8	NA
Number of Loans Processed (including RMDZ loans)	NA	NA	NA	NA	6	NA

## C. State Level Considerations

CalRecycle intends to work with state agencies including but not limited to Air Resources Board, California Energy Commission, California Department of Food and Agriculture, and Natural Resources Agency to coordinate GGRF investments for all of CalRecycle's grant and loan programs. This coordination will increase funding efficiency, reduce program overlap, and potentially result in a greater collective benefit of the GGRF.

This proposal is consistent with adopted and emerging State policy. In addition to existing waste diversion and recycling efforts, CalRecycle has worked closely with the Air Resources Board (ARB) to recommend and implement waste management strategies that reduce the production of greenhouse gases, pursuant to the California Global Warming Solutions Act of 2006 (AB 32). The ARB's 2014 Scoping Plan Update identified the need for expanded organics and other recycling manufacturing infrastructure, extended producer responsibility, and other alternatives to landfilling in order to reduce greenhouse gas emissions from the waste sector. It also acknowledged that meeting waste reduction and greenhouse gas emissions goals will require California to take ownership for the waste generated within California borders, and that significant investments are needed in recycling, composting, and anaerobic digestion infrastructure.

This proposal also supports the Governor's Five Pillars initiatives (particularly with respect to renewable energy, carbon sequestration, and short-lived climate pollutants) and complements similar activities by the Natural Resources Agency and by the California Department of Food and Agriculture. Both entities, along with CalRecycle and the ARB, are addressing organic residuals management from the forestry, agricultural, and urban sectors. The Department of Food and Agriculture (CDFA) is



also promoting the development of in-vessel digester projects at dairies and implementing the Governor's Healthy Soils Initiative. CalRecycle, in partnership with CDFA, will focus on technology enhancement and organics infrastructure development resulting in new diversion from landfills. CDFA will focus on incentivizing the use of beneficial products from this expanded organics infrastructure to build organic matter content of agricultural soils. These complementary efforts will provide essential triggers for organics landfill diversion and market demand pull for products, resulting in significant greenhouse gas emission reductions. The 12 million tons per year of compostable organic materials currently going to landfills can result in 4-5 million tons of greenhouse gas reductions if converted to compost and applied as soil amendments, in addition to increasing soil sustainability.

Moreover, CDFA has proposed to provide incentives and organize demonstration projects in the agricultural sector to encourage compost use among other farm management practices that can build soil health and reduce greenhouse gas emissions. CDFA is working with the Science Advisory Panel, CalRecycle, the State Water Resources Control Board, regional water boards, and the USDA Natural Resources Conservation Service to develop standard compost application rates for agricultural practices that increase soil organic matter and at the same time are not impacting water quality. One component of CalRecycle's grant program in this budget request is to implement demonstration grants for projects that employ innovative approaches to reducing greenhouse gas emissions through compost and digestion including new technologies, varying combinations of feedstocks, or complex strategies. Both types of demonstration projects are distinct and warranted to instill best management practices in the purchase and agricultural use of compost; as well as move the organics processing industry to the cutting edge of technologies and strategies that expand the organics management infrastructure with efficient and effective environmental safeguards. CDFA and CalRecycle will work closely so that their respective demonstration projects are complementary rather than duplicative. CDFA and CalRecycle will collaborate to quantify greenhouse emission reductions and other benefits achieved by the respective demonstration projects including emissions associated with transportation of feedstock and products. It is important to note that transportation emissions are a very small order of magnitude and are included in ARB's methodology; in addition, the larger composting facilities are sited near agriculture.

CalRecycle's loans and grants will result in commercial infrastructure for handling organic materials and in food waste prevention projects (such as food rescue projects with food banks, food network projects that match generators with receivers and work on "right-sizing" food supplies and portions) that provide significant benefits to food-insecure communities. In addition, demonstration projects will assist these types of facilities by gaining a greater acceptance for a wide range of technologies. Deployment of in-vessel digestion facilities that produce biofuel and/or bioenergy will complement California Energy Commission efforts to develop alternative transportation fuels and the State's overall effort to develop renewable energy sources.

## D. Justification

### Additional Funding for Grants

Funding would be used to provide financial incentives in the form of grants primarily for capital investments in new facilities and increased throughput at existing facilities -- such as converting windrow composting to aerated-static-pile composting to use food waste as feedstock, design and construction of in-vessel digestion facilities to produce biofuels and bioenergy, design and construction of facilities for processing recyclable fibers and resins, and expansion or establishment of food waste prevention programs focusing on source reduction or rescuing edible food. The additional funding can be administered through expansion of CalRecycle's existing GGRF grant programs. Funding for demonstration grants would be used to support projects that incorporate innovative greenhouse gas reduction strategies such as carbon sequestration technologies (e.g.,



## Analysis of Problem

from application of compost on rangeland) or new equipment designs to reduce emissions from processing.

Consistent with SB 535, (Chapter 830, Statutes of 2012), CalRecycle aims to provide 25 percent or more of Cycle 2 funding to disadvantaged communities. CalRecycle will also, follow the "Funding Guidelines for Agencies that Administer California Climate Investments" adopted by the Air Resources Board in September 2015.

CalRecycle's first cycle in the GGR program was implemented on time, with a high degree of public transparency in its development and administration; and was successful in encumbering 2014-15 funds in an expeditious manner. However, Cycle 1 was significantly oversubscribed and many meritorious projects could not be funded. For the organics grants, 51 applicants sought \$119 million, yet only \$15 million was available. For the fiber/plastic/glass grants, 20 applicants sought \$37 million, with only \$5 million available. At the available funding levels, CalRecycle was able to award 8 grants totaling almost \$20 million and approved 2 loans in Cycle 1 in April 2015; six of the awarded projects are physically located in, and all 8 provide some benefit to, disadvantaged communities. The eight projects cumulatively are expected to result in 280,000 tons per year of material diverted from landfills and emission reductions of 213,000 MTCO<sub>2</sub>e/year. Based on initial information, the grants are cost-effective, with the average cost (weighted average) being \$8.76 per ton of greenhouse gas emission reduction for organics grants and \$10.66 per ton of greenhouse gas emission reduction for fiber/plastic/glass grants. The averages are based on the total grant amount awarded, divided by the projected greenhouse gas emissions over the project's 10-year lifetime.

The \$100 million in combined funding, including state operations costs, would be approximately designated as follows: \$61 million for organics grants, including \$3 million set aside for rural projects (rural is defined as a county annually disposing no more than 200,000 tons of solid waste); \$15 million for fiber/plastic/glass grants; \$10 million for food waste prevention grants; \$6 million for demonstration projects; \$5 million for the organics and fiber/plastic/glass loan program; and \$3 million for administration.

This additional funding will allow CalRecycle to meet more of the pent-up demand for infrastructure investment, which was reflected in Cycle 1's oversubscribed grant programs, and fully fund additional meritorious projects that will result in significant GHG emission reductions and landfill diversion.

### **Conversion of Existing Limited-Term Resources to Permanent**

Continuing these activities into and beyond Cycle 2 will require CalRecycle to retain its limited-term staff on a permanent basis to oversee and monitor existing GGR projects through the full terms of all grants and loans. Converting these positions to permanent allow the department to effectively oversee these projects over their lifetime, complete the technical evaluation associated with an increased number of applications, ensure successful project implementation, or track and report metrics required by the ARB and reports to the Legislature.

CalRecycle anticipates a significantly increased workload associated with additional applications, and grant and loan awards in response to the additional funding and new programs being requested in this proposal. As noted above, the existing GGR grants and loans are by far the most complex of CalRecycle's grant and loan programs. Each application and project is unique and requires extensive and precise analysis including complex tonnage and greenhouse gas reduction verification, permit considerations and follow up, extensive financial assessment, and detailed proposal review. During the grant management period, in-depth reporting requires thorough analysis of reported diverted tonnage and greenhouse gas reductions, project measures, and expenditure verification. In addition, CalRecycle staff provide technical assistance to the projects to ensure challenges and barriers are overcome as the projects proceed to full implementation.



## Analysis of Problem

While the limited term positions are established until June 30, 2018, it is important to convert these positions to permanent status to support Round 2 projects. These extremely complex grant programs require staff to have extensive program knowledge, training, and customer service skills.

Current staff has been able to implement the projects from the beginning and it benefits CalRecycle, the grantees/loan recipients, and the State of California to sustain this knowledge base on important and beneficial programs. Maintaining this acquired institutional knowledge and level of expertise is also essential in the continued success of awarding GGRF funds for projects that result in greenhouse gas emission reductions, increased recycling, and benefits to disadvantaged communities.

### **Additional Resources**

Furthermore, additional staff is needed to: 1) address the technically complex activities of calculating, tracking, and reporting out greenhouse gas emission reductions for expansion of existing and addition of new grant projects; 2) administer additional organics grants and develop and implement a subcomponent for the rural set-aside; 3) implement and administer the new food waste prevention grant program; and 4) administer the new demonstration grants to leverage funding and foster the significant greenhouse gas emission reduction opportunities of innovative technologies.

Implementation of innovative technologies at commercial scale is currently an untapped opportunity that can result in significant greenhouse emission reductions following successful demonstration projects and improved acceptance and adoption of proven technologies.

While this additional funding will prompt substantial benefits to California, current staffing is insufficient for the additional complex analysis, verification, and grant management that will be required. Grants require oversight for the typical 5-year term of grant agreements, and loans require servicing and other oversight for the life of the loans (typically over 10 years), and each new GGRF cycle will result in additional grants and loans with these lifetimes.

The estimate of additional seventeen staff (including one manager and one supervisor) is based on a comparison of existing and anticipated workload. This includes considerable follow up with grantees to verify their projects are meeting milestones. As part of CalRecycle's exemplary customer service, staff have met with numerous unsuccessful applicants to review scores and provide feedback. For the 2014-15 grant cycle, staff received over 100 individual Public Request Act inquiries and met with over 20 unsuccessful applicants.

In addition, existing staff administering the grants and loans programs currently are dispersed among several units within the Financial Resources Management Branch in the Materials Management and Local Assistance Division at CalRecycle. The additional staffing requested in this proposal and consequent expansion of the program calls for consolidating all of these staff under the same unit with a new manager and supervisor. It is critical that one management chain oversee all four of the grant programs (organics, commodities, food waste prevention, and demonstration grants) so that consistent processes are being followed and reporting to ARB is accurate and timely.



## E. Outcomes and Accountability

Projected Outcomes

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
Number of Grants for organics infrastructure	5	NA	10-15 (including rural projects)*	10-15 (including rural projects)*	10-15 (including rural projects)*	10-15 (including rural projects)*
Number of Grants for recyclable commodities infrastructure	3	NA	6-8*	6-8*	6-8*	6-8*
Number of Loans	2	4	4*	4*	4*	4*
Number of Grants for food waste prevention	0	NA	20-100	20-100	20-100	20-100
Number of Demonstration Projects	0	NA	3	3	3	3

\* assuming continual consistent funding in future year Budgets.

## F. Analysis of All Feasible Alternatives

***Option 1 – approve \$100 million in funding, conversion of nine (9) limited-term positions to permanent positions, establishment of seventeen (17) additional permanent positions, and proposed changes to Public Resources Code section 42999 and 42997.***

In order to achieve the goals of this proposal, CalRecycle requests \$100 million in 2016-17, along with conversion of nine (9) limited-term positions to permanent positions (5 AGPAs, 3 Loan Officers, and 1 Senior Loan Officer (Supervisory)), and the establishment of seventeen (17) additional positions (one (1) Staff Services Manager II, one (1) Staff Services Manager I, seven (7) AGPAs, one (1) Senior Environmental Scientist, three (3) Environmental Scientists, two (2) Accounting Officer (Spec), one (1) Associate Budget Analyst, half (0.5) Personnel Specialist, and half (0.5) Associate Industrial Hygienist) to implement the loan and grant programs and ensuing oversight of executed grants and agreements. CalRecycle also requests specific changes to Public Resources Code section 42999 and 42997 to clarify language regarding project eligibility (see Attachment below for proposed changes).

***Pros:*** This option would allow CalRecycle to effectively implement expanded grant programs focused on investments in California recycling, composting, and in-vessel digestion infrastructure and food waste prevention programs, with potential jobs and benefits to disadvantaged communities, and significant greenhouse gas emission reductions. The requested personnel and administrative expenses would total approximately 2.5 percent of the overall funding. The proposed changes to Public Resources Code section 42999 and 42997 would allow CalRecycle to provide more definitive guidance to potential applications about the eligibility of food waste prevention projects.

***Cons:*** New permanent positions will be required.



## **Option 2 – approve additional positions but do not convert the limited-term positions to permanent status.**

**Pros:** This option would provide a portion of the staffing needed to administer the grant and loan programs.

**Cons:** Providing partial staff resources will greatly hinder the ability of CalRecycle to successfully implement and oversee these programs, as well as meet reporting requirements to ARB and the Legislature.

## **Option 3 – Status Quo**

If this proposal is denied, CalRecycle will only be able to provide a limited number of loans for new or expanding recycling, composting, or in-vessel digestion facilities and food waste prevention programs in California. It will not be able to meet the already-known demand (based on Cycle 1) for grants for infrastructure funding or additional monies for loans in the future.

**Pros:** No growth in state government.

**Cons:** This option does not address the need for greater investment in recycling manufacturing, composting, and in-vessel digestion infrastructure in California. Under this option, California will miss a significant opportunity to increase jobs and provide benefits to disadvantaged communities, reduce greenhouse gas emissions, and meet the state's recycling/composting goal and greenhouse gas emission reduction goal.

## **G. Implementation Plan**

The table below shows key implementation dates for each of the parts of this proposal. All dates assume that the necessary statutory changes in authorizing language are made more or less concurrent with the passage of the Budget Bill. Implementation may take longer than indicated if there are significant delays in approving the Budget Bill and related trailer bill.

Element	Implementation Date
Grants and Loans: Director determination re: allocation among components, maximum funding amounts, eligibility and evaluation criteria	Second quarter of Calendar Year 2016
Grants and Loans: Develop application and agreement documents	Second quarter of Calendar Year 2016
Grants and Loans: ARB approval of application documents	Second quarter of Calendar Year 2016
Grants and Loans: Publish Notices of Funding Availability (contingent upon approval of Budget)	Organics - May 2016 Fiber/Plastic/Glass - July 2016 Food Waste Prevention - August/September 2016
Grants: Applications Due	Organics - July 2016 Fiber/Plastic/Glass - September 2016 Food Waste Prevention - November 2016



## Analysis of Problem

Grants: Announcement of Awards	Organics - January 2017 Fiber/Plastic/Glass - March 2017 Food Waste Prevention - April 2017
Grants: Execution of Grant Agreements	Organics – March 2017 Fiber/Plastic/Glass - May 2017 Food Waste Prevention - June 2017
Loans: Applications Due	Continuous
Loans: Announcement of Awards and Execution of Loan Agreements	Continuous once all financial reviews are completed and loan documents signed
General Outreach (through CalRecycle listservs, and coordination with entities such as state and local Chambers of Commerce, manufacturing associations, California Association of RMDZs, etc.)	Ongoing
Recruitment of new Positions (contingent upon approval of Budget)	Advertise May 2016, tentative offers July 2016

### H. Supplemental Information

Proposed trailer bill language will be posted on the Department of Finance website.

### I. Recommendation

**Option 1**, including the requested funding and requested personnel actions, offers the best opportunity to increase recycling manufacturing, composting, and in-vessel digestion infrastructure and food waste prevention in California, in order to meet the AB 341 75 percent goal and achieve significant greenhouse gas emission reductions and benefits to disadvantaged communities.



**Attachment**  
**GHG Grant Programs Workload Analysis**

	Associate Governmental Program Analysts	Staff Services Manager I	Staff Services Manager II	Total Hours
<b>Grant Cycle Tasks</b>				
Cycle Planning: Various tasks related to organizing, coordinating and implementing a grant cycle. Including: coordination with internal stakeholders (Administration, Legal, Permitting & Compliance, and Environmental Scientists), to develop scope, development/revisions to grant program criteria; soliciting and receiving stakeholder feedback via shared stakeholder workshops, drafting and presenting the criteria Request for Approval; and create/revise/finalize application package including all related documents and web pages. This includes the following documents: Application Guidelines and Instructions, Narrative Proposal, Work Plan, Budget, Feedstock Certification, Summary of GHG Emission Reductions, Summary of Tons of Materials Diverted, Benefits and Impacts to Disadvantaged Communities, Fiscal Soundness, Project Readiness and Permits, and Procedures and Requirements.	900	200	150	1,250
Cycle Outreach: Various tasks related to outreach to eligible applicants. Attending various local government meetings, seminars, conferences, cycle promotion through email and website notices.	300	50	50	400
Cycle Application Evaluation: Various tasks related to the grant application process. These may include: compiling questions and proposed answers (Q&A) for review by management and Legal; posting Q&A on web site; train grant application evaluation panel; overseeing application evaluation and scoring. This includes develop and monitor tracking spreadsheet for application evaluation; create scoring team panel assignments, scoring timeline, developing scoring procedures, preparation of benchmark materials and guidelines, develop composite score sheet, communicate with management on evaluation status, identify scoring and evaluation issues, and develop recommendations for management consideration.	2,900	300	50	3,250
Cycle Award: Coordinate necessary clarification and/or necessary budget changes with applicants, update grant management system, develop award funding recommendations based on review of applications; notify applicants proposed for award and disqualification; and prepare grant award Request for Approval.	400	50	50	500
Applicant Follow-Up: Various tasks related to public records requests which includes preparation and disclosure of numerous submitted application documents (proposal narrative, budget, evaluation scores and comments). Conference calls and in person meetings with unsuccessful applicants which includes prepping a summary of their scoring results/comments and proposals. Various tasks related to completing a cycle; debrief with internal stakeholders; ensure cycle information posted on programmatic spreadsheet; and update information in permanent program file.	500	100	50	650
<b>Grant Management</b>				
Grant Management: Various tasks related to implementation and management of grants. These include: sending Notice to Proceed; establishing grantee file; continuous contact and coordination with grantees to ensure appropriate project progress and mitigate/resolve issues. Site visits with each grantee occur at the beginning of the term, during the critical project review period, and at the conclusion of the grant. Various tasks related to reviewing progress and final reports (approximately 16 reports throughout the grant term) and payment requests. These include: sending reminders regarding Progress and Final Report due dates; reviewing, approving and processing Progress and Final Reports; reviewing, approving, and processing Payment Requests; seeking clarification from grantees regarding Reports or Payment Requests. Approve all project and budget changes.	10,620	270	100	10,990
<b>Grant Closure</b>				
Review retention and total expenditures to ensure successful grant close out; reconcile expenditures to ensure funds are accurately accounted for in GMS.	400	50	25	475
<b>Staff Supervision</b>				
Supervise and manage staff responsible for grant cycle planning, outreach, application evaluation, award, management, and closure; monitor and coordinate program implementation activities; establish priorities for the unit; review work products for accuracy and completeness; working closely with internal staff (Administration, Legal, Permitting & Compliance, and Environmental Scientists); make recommendations for best management practices and grant program improvements. Prepares personnel transactions requests and duty statements; completes performance appraisals; evaluate and recommends staff training needs; review and approve time reports.		760	200	960
<b>Management</b>				
Plans, organizes, and directs the operations of the section. Provides oversight, supervision, and guidance to the development of new programs and initiatives; provides policy guidance, monitors, and evaluates the work of supervisors and staff, responsible for setting goals and objectives and ensuring staff meet specified deadlines, manages the fiscal and administrative responsibilities; makes recommendations to executive management.			1,105	1,105
<b>Associate Governmental Program Analysts - Total Hours</b>	16,020			16,020
<b>Staff Services Manager I - Total Hours</b>		1,780		1,780
<b>Staff Services Manager II - Total Hours</b>			1,780	1,780
<b>Total Hours Per Year</b>	16,020	1,780	1,780	19,580
<b>Number of PYs (Total Hours/1,780)</b>	9.0	1.0	1.0	11.0



**Attachment**  
**GHG - Loan Program Workload Analysis**

<b>Conversion of Existing LT Positions to Perm (Loans)</b>	<b>Loan Officer</b>	<b>Staff Loan Officer (Sup)</b>	<b>Total Hours</b>
<b>3.0 Loan Officers Tasks</b>			
Loan Inquiries: Market the loan program, respond to inquiries about loan criteria, underwriting procedures and requirements, and the loan application process; document loan prospects in database and Loan Stat workbook; conduct site visits to prospective businesses to confirm project eligibility. Facilitate meetings with outside financial resource contacts.	1,800		1,800
Loan applicant evaluation and Underwriting: Provide the project documents to CalRecycle's STAR branch to score the project eligibility, analyze historical and projected financial statements to determine loan repayment ability, and tax returns to ensure the financials are accurate; negotiate loan structure and 5-C's of Credit; confer with the permit branch to ensure the applicant is in compliance or needs a higher level permit; prepare and present Credit Presentation to Loan Committee; prepare Request For Approval for CalRecycle Deputy Director; maintain contact with existing borrowers; perform annual compliance with loan terms and conditions; conduct annual financial statement review; conduct annual site visits to existing borrowers to confirm continued ability to repay.	2,040		2,040
Loan Servicing: Assist with the preparation of loan documents on new loans; ensure funds are disbursed through an escrow account to pay for equipment and related expenses approved for the loan; negotiate repayment and other terms on non-performing loans; prepare loan modification documents; conduct site visits to verify collateral; liquidate collateral; provide technical assistance to borrowers; annually analyze financial statements to ensure ability to repay and to collateral is sufficient during the 10 to 15-year term of each loan. Reconcile loan collections with Accounting staff and make projections of future income to share with Budget Office.	1,500		1,500
<b>1.0 Staff Loan Officer (Supervisor) Tasks</b>			
Staff Oversight: Hire, train and develop staff, monitor staff workload, edit documents received from staff, develop strategies for change management and increasing morale, update and monitor loan priority matrix, monitor loan modifications, evaluate modification alternatives submitted by staff, provide feedback and evaluate performance.		650	650
Program development: Develop workplan, revise general and project eligibility as needed, recruit new loan committee members as needed, act as liaison with other state financing programs, propose policy and regulation changes, work with Zone Administrators and Zone Liaisons to provide technical assistance to businesses, participate in collaboration meetings and work with loan staff to prepare agendas, streamline application process and loan documents, and develop and implement loan outreach plan.		650	650
Administrative: Conduct presentations, conduct meetings, manage communication to upper management, evaluate loan sale proposals and prepare document for upper management consideration, develop proposals for program changes and loan sales, analyze benefits of loan sale, direct staff on RFP process, work with legal staff to ensure documents are complete and legally sound, manage loan subaccount and participate in Recycling Market Development Zone meetings.		480	480
<b>Loan Officers - Total Hours</b>	<b>5,340</b>		<b>5,340</b>
<b>Staff Loan Officer (Supervisor) - Total Hours</b>		<b>1,780</b>	<b>1,780</b>
<b>Total Hours Per Year</b>	<b>5,340</b>	<b>\$1,780</b>	<b>7,120</b>
<b>Number of PY's (Total Hours / 1,780)</b>	<b>3.0</b>	<b>1.0</b>	<b>4.0</b>



**Attachment**  
**GHG Grant Programs Workload Analysis**

	Envirntl Scientist	Sr. Envirntl Scientist	Total Hours
<b>Environmental Scientist Tasks</b>			
<b>Permanent Full-Time Positions</b>			
<b>Greenhouse Gas Emissions Assessment (5,520 Hours)</b>			
Provide technical input for scoring criteria, eligibility, procedures and standards for grant and loan application cycles that employ multiple technologies and varying combinations of feedstocks to reduce greenhouse gas emissions from the handling and processing of organic and other recyclable materials. Provide technical input for scoring criteria, eligibility, procedures and standards for food waste prevention grant application cycles.	720		720
Participate in technical expert review of applications received for the GGRF programs. Verify technical aspects of the projects submitted in applications including milestones and estimated project outcomes.	1,600		1,600
Analyze the greenhouse gas emission reductions, tons diverted from landfills, and the efficiency for processes submitted in the application that produce energy, fertilizers, soil amendments, recycled content products, and secondary chemicals or products. Perform difficult and complex work to compare and evaluate calculations, process flow, equipment suitability and environmental impact of proposed projects including greenhouse gas emission calculations.	2,400		2,400
Collaborate with the Air Resources Board on emission reduction factors and the appropriate calculations and methodologies to be used for estimated greenhouse gas emission reductions associated with proposed projects.	800		800
<b>Grant Management Assistance (1,600 hours)</b>			
Monitor project implementation and evaluate grant and loan recipients' progress in meeting expected milestones and project outcomes. Meet with project team and visit sites to set up necessary data tracking and reporting procedures for the project.	800		800
Measure project performance against established scientifically valid standards and reporting requirements to ensure successful implementation of approved projects and to validate that the projects have achieved the greenhouse gas reductions projected. Complete necessary greenhouse gas emission calculations and prepare required reports for the Air Resources Board.	800		800
<b>Senior Environmental Scientist</b>			
<b>Permanent Full-Time Position</b>			
<b>Develop Grant Criteria; co llaborate with CDFA on Healthy Soils Initiative (980 hours)</b>			
Provide technical input for grant demonstration program to establish scoring criteria, eligibility, procedures and standards for grant demonstration application cycles that employ innovative technologies, varying combinations of feedstocks, or complex strategies to reduce greenhouse gas emissions from the handling and processing of organic and other recyclable materials.		130	130
Using scientific procedures and standards, develop metrics, determine reporting requirements, and evaluate demonstration projects with innovative technologies, varying combinations of feedstocks, or complex strategies.		200	200
Monitor demonstration project implementation and evaluate progress in meeting expected milestones and project outcomes. Meet with project team and visit sites to set up necessary data tracking and reporting procedures for the project. Conduct difficult technical assessments that analyzes greenhouse gas emission reductions and environmental and economic benefits and impacts of projects.		300	300
Measure grant demonstration project performance against established scientifically valid standards and reporting requirements to ensure successful implementation of approved projects and to validate that the projects have achieved the greenhouse gas reductions projected. Complete necessary greenhouse gas emission calculations and prepare required reports for the Air Resources Board.		200	200
Complete calculations to project the potential of significant greenhouse gas emission reductions with widespread application of novel methods, technologies or practices implemented by grant demonstration projects.		100	100
Collaborate with CDFA on Healthy Soils Initiative. Provide technical input on criteria for CDFA grant incentive programs and demonstration projects. Work closely with CDFA staff to ensure that CDFA and CalRecycle demonstration projects are complementary rather than replicative and there is no overlap.		50	50
<b>Greenhouse Gas Emissions Assessment (800 Hours)</b>			0
Provide senior leadership and guidance to technical expert team working on GGRF grants and loans programs. Independently conduct the most complex and difficult tasks and specifically with those involving complex and/or innovative management and processing alternatives of organic and other recyclable materials diverted from California landfills.		300	300
Participate in technical expert review of the most complex applications received for the GGRF programs. Independently conduct assessments and verify technical aspects for complex and/or innovative projects including milestones, estimated project outcomes, and environmental impacts.		300	300
Collaborate with the Air Resources Board to develop new emission reduction factors and the appropriate calculations and methodologies to be used for estimating greenhouse gas emission reductions for complex and/or innovative projects.		200	200
<b>Environmental Scientist- Total Hours</b>	7,120		7,120
<b>Senior Environmental Scientist- Total Hours</b>		1,780	1,780
<b>Total Hours Per Year</b>	7,120	1,780	8,900
<b>Number of PYs (Total Hours/1,780)</b>	4.0	1.0	5.0



# BCP Fiscal Detail Sheet

BCP Title: Greenhouse Gas Reduction Fund Augmentation

DP Name: 3970-015-BCP-DP-2016-GB

## Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	6.0	15.0	15.0	15.0	15.0
Positions - Temporary	0.0	11.0	11.0	11.0	9.0	9.0
<b>Total Positions</b>	<b>0.0</b>	<b>17.0</b>	<b>26.0</b>	<b>26.0</b>	<b>24.0</b>	<b>24.0</b>
Salaries and Wages						
Earnings - Permanent	0	381	942	942	942	942
Earnings - Temporary Help	0	632	632	632	542	542
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$1,013</b>	<b>\$1,574</b>	<b>\$1,574</b>	<b>\$1,484</b>	<b>\$1,484</b>
Total Staff Benefits	0	471	732	732	691	691
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$1,484</b>	<b>\$2,306</b>	<b>\$2,306</b>	<b>\$2,175</b>	<b>\$2,175</b>
Operating Expenses and Equipment						
5301 - General Expense	0	363	506	506	467	467
54XX - Special Items of Expense	0	97,515	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$97,878</b>	<b>\$506</b>	<b>\$506</b>	<b>\$467</b>	<b>\$467</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$99,362</b>	<b>\$2,812</b>	<b>\$2,812</b>	<b>\$2,642</b>	<b>\$2,642</b>

## Fund Summary

Fund Source - State Operations						
3228 - Greenhouse Gas Reduction Fund	0	1,847	2,356	2,356	2,186	2,186
9747 - CalRecycle Greenhouse Gas Reduction Revolving Loan Fund	0	0	456	456	456	456
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$1,847</b>	<b>\$2,812</b>	<b>\$2,812</b>	<b>\$2,642</b>	<b>\$2,642</b>
Fund Source - Local Assistance						
3228 - Greenhouse Gas Reduction Fund	0	97,515	0	0	0	0
<b>Total Local Assistance Expenditures</b>	<b>\$0</b>	<b>\$97,515</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$99,362</b>	<b>\$2,812</b>	<b>\$2,812</b>	<b>\$2,642</b>	<b>\$2,642</b>

## Program Summary

Program Funding						
3700 - Waste Reduction and Management	0	99,362	2,812	2,812	2,642	2,642
<b>Total All Programs</b>	<b>\$0</b>	<b>\$99,362</b>	<b>\$2,812</b>	<b>\$2,812</b>	<b>\$2,642</b>	<b>\$2,642</b>

**Personal Services Details**

Positions		Salary Information			<u>CY</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
		Min	Mid	Max						
1303	- Personnel Spec (Eff. 07-01-2016)				0.0	0.5	0.5	0.5	0.5	0.5
3856	- Assoc Industrial Hygienist (Eff. 07-01-2016)				0.0	0.5	0.5	0.5	0.5	0.5
4546	- Accounting Officer (Spec) (Eff. 07-01-2016)				0.0	2.0	2.0	2.0	2.0	2.0
4800	- Staff Svcs Mgr I (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
4801	- Staff Svcs Mgr II (Supvry) (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
5284	- Assoc Budget Analyst (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
5393	- Assoc Govtl Program Analyst (Eff. 07-01-2017)				0.0	0.0	5.0	5.0	5.0	5.0
7480	- Loan Officer (Eff. 07-01-2017)				0.0	0.0	3.0	3.0	3.0	3.0
7482	- Staff Loan Officer (Supvr) (Eff. 07-01-2017)				0.0	0.0	1.0	1.0	1.0	1.0
TH00	- Temporary Help (Eff. 07-01-2016)				0.0	11.0	11.0	11.0	9.0	9.0
<b>Total Positions</b>					<b>0.0</b>	<b>17.0</b>	<b>26.0</b>	<b>26.0</b>	<b>24.0</b>	<b>24.0</b>

Salaries and Wages		<b>CY</b>	<b>BY</b>	<b>BY+1</b>	<b>BY+2</b>	<b>BY+3</b>	<b>BY+4</b>
1303	- Personnel Spec (Eff. 07-01-2016)	0	21	21	21	21	21
3856	- Assoc Industrial Hygienist (Eff. 07-01-2016)	0	36	36	36	36	36
4546	- Accounting Officer (Spec) (Eff. 07-01-2016)	0	109	109	109	109	109
4800	- Staff Svcs Mgr I (Eff. 07-01-2016)	0	70	70	70	70	70
4801	- Staff Svcs Mgr II (Supvry) (Eff. 07-01-2016)	0	83	83	83	83	83
5284	- Assoc Budget Analyst (Eff. 07-01-2016)	0	62	62	62	62	62
5393	- Assoc Govtl Program Analyst (Eff. 07-01-2017)	0	0	303	303	303	303
7480	- Loan Officer (Eff. 07-01-2017)	0	0	186	186	186	186
7482	- Staff Loan Officer (Supvr) (Eff. 07-01-2017)	0	0	72	72	72	72



TH00 - Temporary Help (Eff. 07-01-2016)

**Total Salaries and Wages**

Staff Benefits

5150900 - Staff Benefits - Other

**Total Staff Benefits**

**Total Personal Services**

0	632	632	632	543	543
<b>\$0</b>	<b>\$1,013</b>	<b>\$1,574</b>	<b>\$1,574</b>	<b>\$1,484</b>	<b>\$1,484</b>
0	471	732	732	691	691
<b>\$0</b>	<b>\$471</b>	<b>\$732</b>	<b>\$732</b>	<b>\$691</b>	<b>\$691</b>
<b>\$0</b>	<b>\$1,484</b>	<b>\$2,306</b>	<b>\$2,306</b>	<b>\$2,175</b>	<b>\$2,175</b>